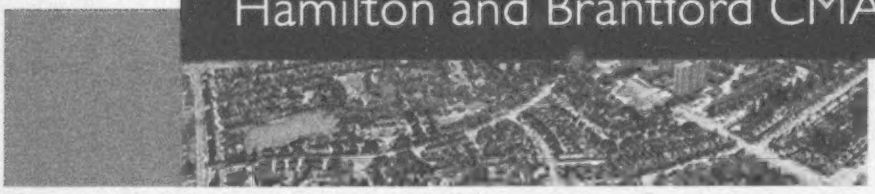
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Hamilton and Brantford CMAs



Canada Mortgage and Housing Corporation

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New Home Market

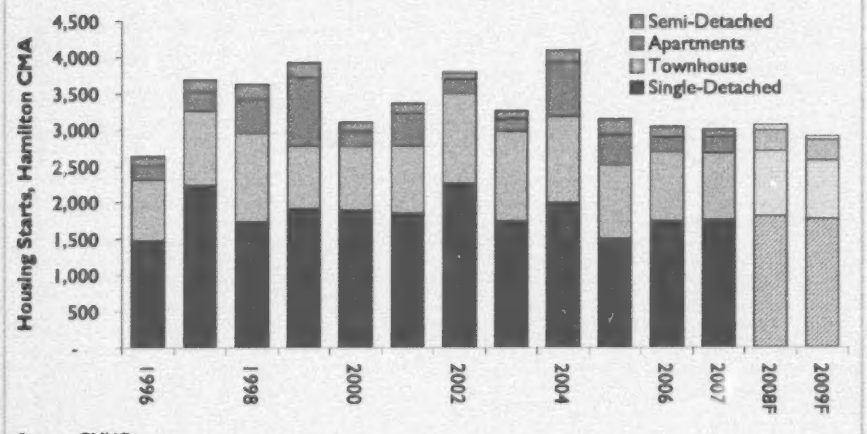
Modest Increase in Starts

Total new home starts will increase by two per cent to 3,070 units in the Hamilton Census Metropolitan Area (hereafter referred to as Hamilton) this year from 2007. Similar trends are expected for the Brantford Census Metropolitan Area (hereafter referred to as Brantford) where total housing starts will rise by 1 per cent to 595 units this year. In 2009, new home starts will moderate in both Hamilton and Brantford.

Rising costs of construction including higher municipal fees and development charges in some municipalities of Hamilton will have an impact on new home prices. The increase in new home prices may divert some buyers to the relatively less expensive resale

Figure 1

Modest Rise in Hamilton's Housing Starts



Source: CMHC

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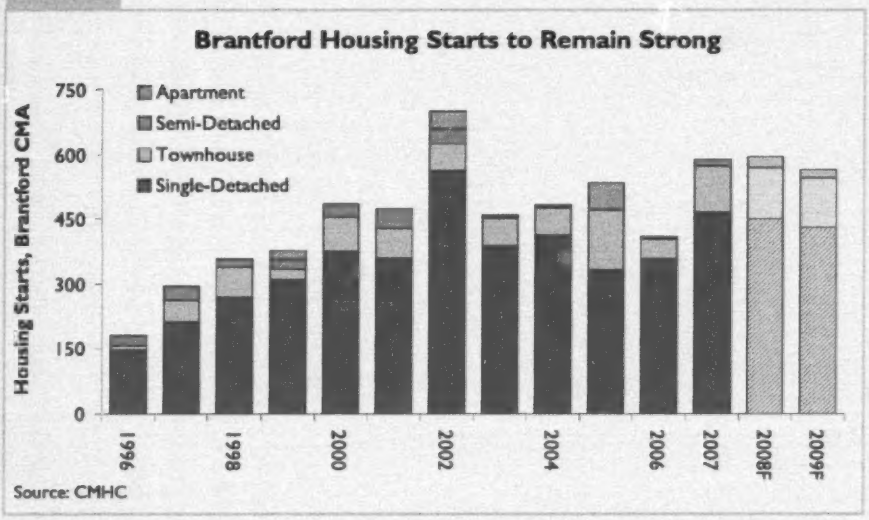
Figure 2



market. The New Home Price Index (NHPI) – which measures prices on homes of equal quality – is expected to rise 4.3 per cent this year.

Single-detached homes still account for about 60 per cent of new home starts in Hamilton and Brantford and will increase by 3 and 3.5 per cent, respectively, to 1810 and 450 units this year. The more expensive home markets in Hamilton such as Burlington, Ancaster and Stoney Creek will remain popular among affluent buyers. Conversely, the relative affordability of new homes in Brantford as compared to its neighbouring metropolitan areas will attract some buyers interested in single-detached homes with lower prices.

Burlington New Home Market Popular

Burlington's housing market has sustained steady growth and continues to attract buyers as it is still a relatively new city. This trend is evident in its population growth which has outpaced the national average. Large, single-detached homes on sizeable lots and a diversity of condominium apartment sizes and types are popular in Burlington and suitable for many households including young professionals, families, empty nesters and retirees. Total starts in Burlington last quarter were up 50 per cent as compared to the same time last year, and single-detached starts increased by almost 83 per cent.

Average single-detached home prices in both Hamilton and Brantford will rise in response to rising construction costs. Last year, the average price of new single-detached homes fell by 7 per cent in Hamilton, following several years of strong price appreciation particularly in expensive markets such as Burlington's. In 2007, the upward pressure on prices subsided and the required average household income fell to $87,000 and $72,600 in Burlington and Hamilton, respectively[1]. This year, expect new home prices to rise again in Hamilton, though closer in line with the general rate of inflation.

Resale Market

Resale Market Conditions to Cool

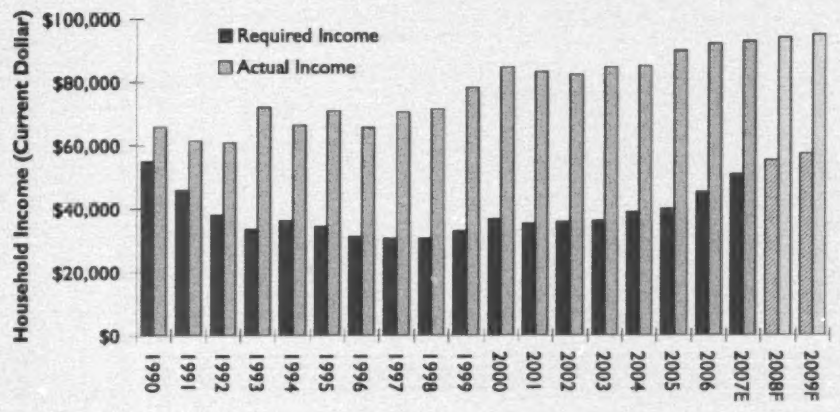
Following several years of hot sellers' market conditions, Hamilton's housing market will cool down in 2008. Slower employment growth and rising mortgage carrying costs will dampen demand from home buyers. Home sales in Hamilton are expected to fall 7 per cent to 12,900 sales – similar to levels seen prior to the housing boom in 2004. In Brantford, resale activity will also fall 4.6 per cent to 2,200 sales. In 2009, expect sales in Hamilton and Brantford to gradually balance out listings and prices to continue to rise, though at a slower pace.

In 2007, resale transaction activity was very strong across Canada, with many buyers and investors taking advantage of the diversity of recently introduced mortgage products. First-time buyers entered the market earlier than they may have otherwise expected to, and this helped to keep the Hamilton and Brantford housing markets strong. This year, though listings will be on the rise as some homeowners continue to benefit from the price appreciation in the market, sales are expected to fall gradually, in line with weaker economic conditions. Housing market demand will be supported by historically low mortgage rates and the slower rate of increase in resale home prices.

[1] Using the assumption of a 25 per cent down payment, 25 year amortization, and the average of all posted fixed 5 year mortgage rates to determine mortgage carrying costs, which are divided by 0.32 to obtain required income based on a 32% gross debt service ratio.

Figure 3

Required Income Rising Quicker Than Actual Income



Souce: CMHC, Statistics Canada, CREA

The ability to afford monthly principle and interest payments in the resale home market in Hamilton will remain manageable for the average household. However, though actual household incomes remain comfortably above the average required income to own a resale home in Hamilton, housing price growth is outpacing the growth rate of average incomes. The household income required to qualify for a mortgage without exceeding a gross debt service ratio of 32 per cent is expected to rise nine per cent this year, while actual incomes are expected to rise one per cent. As required income approaches actual income, housing demand will ease.

In Hamilton, there is still some divergence in sales among the submarkets. Areas such as Hamilton Mountain, Burlington, Ancaster, and Stoney Creek are expected to remain more popular than the other sub-markets. Affluent households in Hamilton will keep prices in these expensive neighbourhoods rising. In Brantford, most homes are single-detached and semi-detached and the increase in new listings will drive up the availability of homes.

Average Prices Continue to Rise Above Inflation

The average price of all resale homes in Hamilton and Brantford is expected to rise 6 per cent and 4.3 per cent, respectively this year. In a relatively more expensive market such as Burlington, average home prices will rise more quickly. Last quarter, the average price of resale homes in Burlington alone was 28 per cent higher than the average for Hamilton. The sales-to-new listings ratio (SNLR)[2] is a good indicator of the pulse of the housing market. In the first quarter of 2008, the SNLR stood at 60 per cent. With listings on the rise and sales declining, the Hamilton and Brantford markets will move closer to balanced market conditions this year.

Economic Overview

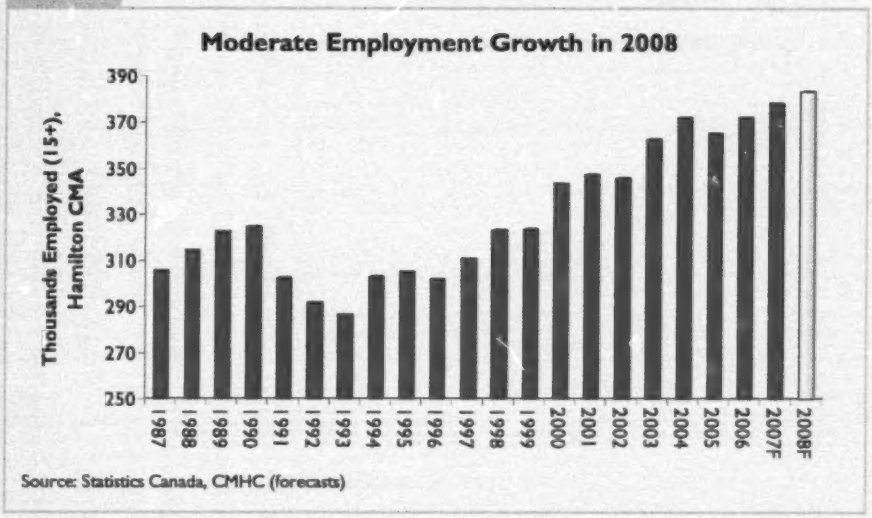
Local Employment

Employment remains an important influence on housing market trends. Stable employment and income provide households with the ability to own homes and service their mortgages, even in periods of weak economic growth. Lower demand for Canadian goods and services in response to the high Canadian dollar, and rising energy costs have had a dampening effect on Canadian jobs, most notably in Ontario and Quebec.

Hamilton's manufacturing employment sector has been particularly vulnerable to these changes in the economy. Manufacturing jobs have been on a downward trend since 2003, and overall employment growth and average weekly earnings in Hamilton is expected to rise less than one per cent in 2008. Gains in other job sectors such as health and education services sectors are expected to partially offset the losses in manufacturing jobs in Hamilton. In the long-term, a permanent shift towards a more diversified job sector is expected to better sustain the local economy and housing market that has historically been dependent on one industry to supply its workforce.

[2] A market with an SNLR above 55 per cent and prices rising above the rate of inflation signifies sellers' market conditions. Alternatively, a market with an SNLR below 32 per cent indicates buyers' market conditions and a balanced market occurs when the SNLR is between 32 and 55 per cent.

Figure 4



Source: Statistics Canada, CMHC (forecasts)

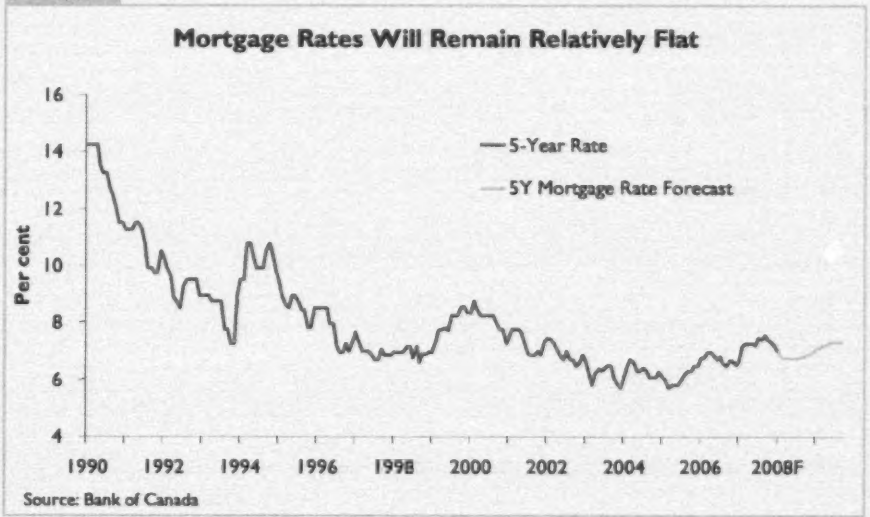
Mortgage Rates Will Remain Relatively Flat

Posted mortgage rates eased by about 50 basis points in the first four months of this year, although rates in late April were 30 to 35 basis points higher than they were 12 months prior. Mortgage rates are expected to trend marginally lower throughout 2008, but will be within 25-50 basis points of their current levels. For 2009, posted mortgage rates will begin to drift up slightly as the year progresses. For 2008 and 2009, the one-year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five-year posted mortgage rates are forecast to be in the 6.75-7.50 per cent range.

Similar employment trends are expected in Brantford as it lost some major manufacturing employers last year. However, the city has recently attracted several major industrial employers including Yazaki North America Inc., a supplier to CAMI Automotive Inc. in nearby Cambridge, and Guelph-based thermoplastics designer and producer Pavaco Products, which recently opened its plastics recycling operation in Brantford. Businesses operating in Brantford have the competitive advantage of lower operating costs and benefit from its strategic location to the U.S. border and neighbouring economic regions. Job growth as a result of the new business investments is expected to feed through to other parts of the local economy.

Though employment growth is expected to be modest in both Hamilton and Brantford, the local economy is also supported by commuters who work in other nearby economic regions such as Kitchener-Waterloo, Guelph and Toronto. The web of interconnected highways in Hamilton and Brantford, and the GO and VIA rail train services provides easy access for longer-distance commuters to the surrounding areas.

Figure 5



Source: Bank of Canada

Forecast SUMMARY
Hamilton CMA
Spring 2008

	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	13,565	13,059	13,866	12,900	-7.0	12,100	-6.2
MLS® New Listings	17,646	18,414	18,988	19,400	2.2	19,200	-1.0
MLS® Average Price ($)	229,753	248,754	268,857	285,000	6.0	296,000	3.9
New Home Market							
Starts:							
Single-Detached	1,502	1,741	1,761	1,810	2.8	1,770	-2.2
Multiples	1,643	1,302	1,243	1,460	17.5	1,480	1.4
Semi-Detached	204	138	94	140	48.9	120	-14.3
Row/Townhouse	1,002	948	922	960	4.1	960	0.0
Apartments	437	216	227	360	58.6	400	11.1
Starts - Total	3,145	3,043	3,004	3,070	2.2	2,910	-5.2
Average Price ($):							
Single-Detached	369,808	392,305	365,357	371,000	1.5	380,000	2.4
New Housing Price Index (% chg.)	5.7	5.5	4.5	4.3	-	4.2	-
Rental Market							
October Vacancy Rate (%)	4.3	4.3	3.5	3.2	n/a	3.0	n/a
Two-bedroom Average Rent (October) ($)	791	796	824	845	-	870	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	365,200	371,900	374,000	377,000	0.8	379,000	0.5
Employment Growth (%)	-1.8	1.8	0.6	0.8	-	0.5	-
Unemployment rate (%)	5.5	5.9	6.0	6.2	-	6.2	-
Net Migration [1]	1,651	465	200	200	-	350	-

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

Forecast SUMMARY Brantford CMA Spring 2008	2005	2006	2007	2008f	% chg	2009f	% chg
Resale Market							
MLS® Sales	2,204	2,139	2,305	2,200	-4.6	2,100	-4.5
MLS® New Listings	3,072	3,287	3,451	3,550	2.9	3,400	-4.2
MLS® Average Price ($)	182,470	198,716	209,151	218,200	4.3	225,000	3.1
New Home Market							
Starts:							
Single-Detached	331	357	466	450	-3.4	430	-4.4
Multiples	203	52	123	70	-43.1	78	11.4
Semi-Detached	4	2	16	8	-50.0	10	25.0
Row/Townhouse	139	47	107	57	-46.7	60	5.3
Apartments	60	3	0	5	n/a	8	60.0
Starts - Total	534	409	589	595	1.0	565	-5.0
Average Price ($):							
Single-Detached	174,035	190,810	222,900	228,000	2.3	232,500	2.0
New Housing Price Index (% chg.) (Ont.)	4.6	3.7	2.6	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	1.8	2.3	2.9	2.9	0.0	2.8	-0.1
Two-bedroom Average Rent (October) ($)	722	712	749	749	-	760	-
Economic Overview							
Mortgage Rate (1 year) (%)	5.80	6.30	7.35	6.95	-0.40	6.83	-0.12
Mortgage Rate (5 year) (%)	6.30	6.45	7.54	7.01	-0.53	6.97	-0.04
Annual Employment Level	49,450	50,550	51,000	51,000	0.0	51,250	0.5
Employment Growth (%)	5.4	2.2	0.9	0.0	-	0.5	-
Unemployment rate (%)	6.7	6.3	6.3	7.7	-	7.7	-
Net Migration (Ont.) [1]	98,768	68,759	78,217	85,500	9.3	91,900 **	

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
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